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**Taiwan's Economic Success,  
Improvement of Relations  
with Mainland China and  
Implications for  
U.S. National Security**

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## ABSTRACT

Taiwan's "economic miracle" has allowed them to gain international respect and power and has placed them in a unique position to effect the economic and diplomatic balance of the region--and possibly the world. Taiwan has extended economic tentacles into the People's Republic of China (PRC) and might be able to influence the PRC toward democratization. The PRC might, however, repel the capitalistic influence.

This paper suggests that could have significant effect on U.S. security. The PRC and Taiwan can become threats or partners to the U.S. according to how we address the realities of change in the region. Neither presently poses a serious military threat to U.S. interest although the PRC must be watched closely. Both do, however, represent a potential economic threat.

Finally, the author suggests that there is really only one China. The PRC and Taiwan are more alike than they are different, a fact U.S. policymakers must recognize if we are to benefit from the changes in the region.

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TAIWAN'S ECONOMIC SUCCESS,  
IMPROVEMENT OF RELATIONS WITH MAINLAND CHINA  
AND  
IMPLICATIONS FOR U.S. NATIONAL STRATEGY

THE PROBLEM: ONE CHINA OR TWO?

Our new strategy must provide the framework to guide our deliberate reductions to no more than the forces we need to guard our enduring interests - the forces to exercise forward presence in key areas, to respond effectively to crises, to retain the national capacity, to rebuild our forces should this be needed...and to...maintain an effective deterrent.

- George Bush<sup>1</sup>

Taiwan has experienced an "economic miracle"<sup>2</sup> which could have a significant effect on this new strategy outlined by President Bush as it relates to U.S. and Taiwan/Peoples Republic of China (PRC) relations. Taiwan is well on the way to becoming a "fully-fledged developed nation by the year 2000".<sup>3</sup> The level of cooperation achieved between Taiwan and the U. S., the U.S. and the PRC, and finally between Taiwan and the PRC will have significant effect on the balance of economic power in the region. This might also affect peaceful coexistence/cooperation in the area and perhaps the world.

The focus of this paper will be on the effects the government of Taiwan might have on the PRC (i.e., unification of China<sup>4</sup>, democratization and continued or accelerated economic growth on mainland China) and what effect, if any, that will have on U.S. strategy and interests. The U.S. relationship (past,

present and future) will provide a backdrop for discussion as well as a catalyst for some of the issues/actions.

#### TAIWAN/PRC/U.S. HISTORY: THE ROAD TRAVELED

As U.S. policymakers determine the level of involvement they are willing to undertake during Taiwan's effort to unify China, they must have a clear understanding of the degree of Taiwan's economic success. Also they must understand the road the people of Taiwan had to travel to achieve that success as it relates to both mainland China and the U.S. To do that, policymakers must have an understanding of Chinese/U.S. history and, hopefully, Chinese thought and culture.

Taiwan's history is one of confrontation, dramatic change and dynamic, seldom democratic, leadership. The U.S. has had a hot/cold relationship with Taiwan since Chiang Kai-shek moved his Nationalist Government to the island of Formosa in 1949. This came after he was defeated by the Chinese communists on the mainland after years of bloody struggle. A brief look at that past relationship will establish the framework for an understanding of the relation of the U.S. and Taiwan into the 21st century and will set the stage for an understanding of Taiwan/PRC relationships.

#### Change of Relationships: 1949-1979<sup>5</sup>

Chiang Kai-shek's government on Taiwan and the government of the PRC on the mainland claimed (and still do) to be the one true

government for all of China. Each also considers Taiwan a province of China<sup>6</sup> and each has determined to take over the other's territory and unite China. The PRC will use force if necessary while Taiwan prefers to use its economic clout and budding democratization as an example to the people of the mainland to encourage reunification.

This desire of Taiwan to reunite China is reflected in the inscription on a popular monument on Taiwan:

"In 284 B.C....the Kingdom of Yen invaded the Kingdom of Chi and conquered some 70 cities including Chi's capital, in a lightening campaign. The King of Chi had to flee with his loyal subjects to Chu and Tsimo, the only two cities left in his domain. But in 279 B.C., the King of Chi led his people in a counter-attack from his base in Chu and succeeded in recovering all the cities previously lost to the enemy."<sup>7</sup>

The implications of that inscription on the Taiwan government's plans toward the reunification of Taiwan and mainland China cannot be overlooked. Chiang Kai-Shek, himself, summed up the feelings of the people of Taiwan when, in the 1950s, he said, "Although I am here on Taiwan--the part of China that is still free--my heart remains on the mainland with you."<sup>8</sup>

This point, that the people of Taiwan do not consider themselves as different from the people of mainland China and do not want to remain separated, was reemphasized as recently as the December 21, 1991, election in Taiwan. The pro-independence Democratic Progressive Party lost the election badly, getting only about 24 percent of the vote. The Nationalists Party, or Koumintang, with a platform of gradual reform, prosperity and



stability, got 71 percent of the vote.<sup>9</sup> The election results seem to indicate that the people of Taiwan, at least at the polls, do not want independence from mainland China. Rather, the votes indicate a desire by the voters of Taiwan to be one China again, or at least not to upset the "status quo" at this time. The vote could also reflect the belief by 60% of those polled in Taiwan recently that the PRC would invade Taiwan if Taiwan moved for independence.<sup>10</sup>

That is a real concern for Taiwan as they remember that the PRC tried to make good on its promise to reunite China by force if necessary. In the 1950s, the PRC shelled Matsu and Quemoy. The U.S. intervened by instituting air and Naval patrols of the Formosan Strait.<sup>11</sup> U.S. relations with Taiwan grew quite strong and, until 1965 when their economy could stand on its own, included significant economic aid to Taiwan .

In the early 1970s, however, Taiwan became concerned about the U.S.'s warming to mainland China, playing the "China Card" as it has been called. Their concern was justified. In 1971, the U.S. announced that it favored United Nations (UN) membership for the PRC. The U.S. did say, however that Taiwan should retain its seat. It is important to note that China had been one of the four sponsor powers of the San Francisco Conference inaugurating the UN. The charter of the world organization signed June, 1945, provides that the Republic of China should be one of the five permanent members of the Security Council.<sup>12</sup> The UN, nevertheless, expelled Taiwan and admitted the PRC in October

1971. The significance of this decision to the people of Taiwan was reflected by Mr. James C. H. Shen, the last Ambassador to the U.S. from the Republic of China, when he outlined the two principles objectives of the Taiwan Government's foreign policy. These were: "...first, to maintain our position in the United Nations and, second to preserve our relations with the United States".<sup>13</sup> Neither objective was possible after the 1970s.

President Nixon and later President Carter further distanced the U.S. from Taiwan, warmed to the PRC and opened doors to the mainland formally felt to be locked forever. President Nixon visited mainland China in 1972 and promised the PRC that the U.S. would gradually withdraw forces from Taiwan, a cause for further serious concern for the government of Taiwan.

During this time a number of other nations ended their diplomatic relations with Taiwan. The U.S. finally ended diplomatic relations with Taiwan in 1978 and established diplomatic relations with the PRC in 1979.

In April 1979 the U.S. completely withdrew its military forces from Taiwan and on December 31, 1979 the mutual defense treaty between the U.S. and Taiwan was terminated. This was a startling series of events to the government of Taiwan, especially in light of the two nations former relationships and promises from the U.S. One such promise was in a letter delivered by then vice president Nixon during a visit to Taipei in July 1956. In the letter President Eisenhower had said "...let there be no misapprehension about our own steadfastness

in continuing to support the Republic of China".<sup>14</sup>

The U.S. did agree, however, to supply Taiwan some military aid and to carry on unofficial relations through a private, non-profit corporation, the American Institute in Taiwan. In turn the government of Taiwan opened its offices under the title of Coordination Council for North American Affairs.

#### A Gradual Warming: 1979-June 1989

The relationship of the Chinese on Taiwan to those on the mainland since 1979 has been one of distinct disagreement with only a gradual warming recently and that was caused more by economic reality than political compromise. Dr. Parris Chang, a noted Northeast Asian expert, suggests that the PRC has not been able to liberate Taiwan by force nor reunify with Taiwan peacefully...as the island nation's destiny has been changed and shaped by international politics [and economics], over which the PRC has no control.<sup>15</sup> The PRC made some peaceful overtures to Taiwan and even abandoned their slogan, "liberation of Taiwan" and suggested opening of direct trade and free movement of relatives between the two. Although these economic and personal exchanges were almost nonexistent only a few years ago, the "free market genie"<sup>16</sup> once out of the bottle could not be put completely back in and these exchanges offered some hope for future changes as well. Additionally, the cooperation between the PRC and Hong Kong and the planned 1997 return of Hong Kong to the PRC give evidence of the possibility that different

ideologies can coexist within China. These factors have set the stage for further reforming, possible total reunification of China and showed great promise until the summer of 1989.

#### A Cooling Down: June 1989-1992

Contrary to the overtures made by the PRC to Taiwan and the seeming softening of the PRC's hardline position, the events of June 1989 clearly showed the PRC's intolerance for ideas which do not agree with the leadership. Tiananmen Square focused the attention of the world on the PRC as students carried their desires for greater freedom and political reform into the streets.

The students' first priority was economic parity for the students, faculty and government workers with the business community. The freedom to speak and to publish views different from the governments was their second priority. They wanted to eliminate graft and corruption in the government as a third priority. Establishing a democracy such as we have in the west was never the aim of the demonstration. The students' view of reform of the political system would allow political opposition and would show a greater willingness to react to the poverty and misery of much of the population that was not benefitting from the market economy.

For a time it seemed that the old guard within the PRC were as tolerant as they had tried to appear, that is, they had warmed to the idea of more individual freedom. But they showed their

true colors and violently smashed the student revolt while the world watched.

The PRC leadership was unwilling to give in to government subsidies and wage control vice the market determination of salaries and wages. They were willing, however, to investigate the graft and corruption charges but the students did not believe the effort would be successful.

As Hu Ping, the leader of an earlier Chinese student movement said, "Many Chinese are accustomed to listening to two types of leaders: those with charisma and those with real power. The first type usually go against the establishment. The second type usually oppose the sharing of power. The students were trying to establish a democratic movement, but they were not accustomed to paying attention to leaders who had been selected through a systematic process."<sup>17</sup> The very thing the students were seeking and their lack of understanding of the process they were seeking was part of the reason they were unable to follow their leaders and to know how far to push Beijing on their first try at freedom and democratization. This character trait/political background (lack of understanding of democracy and unwillingness to listen even to their own elected leaders) must be understood as the relation between the U.S. and the PRC continues a recovery to its pre-Tiananmen Square levels.

#### WHAT NOW?

The balance of this paper will discuss specifically

whether Taiwan might be able to use its economic strength, political organization, national pride and emerging world status to influence change in the PRC and bring about reunification. And, what effect, if any, that might have on the security of the region and the U.S.

The world has changed drastically in the 43 years since General Chiang Kai-shek moved his government to Taiwan (and even more dramatically in the last two or three years). The PRC and Taiwan have continued to move closer to one another and have allowed economic considerations to open some of the doors long held shut by differences in ideology. Even Tiananmen Square did not sever the connections nor eliminate all hope of further warming. It was surely a frigid wind but it might have blown by for now, at least politically. Economically, however, the result of the frigid wind is still being felt. The flight of western capital from the PRC as a reaction to Tiananmen left a vacuum--one filled by large investment by Taiwan as well as Hong Kong into the mainland.

The question the U.S. must ask ourselves as we approach the 21st century is, "What does this economic openness and willingness to make compromise for economic reasons say about the future of each?"

#### For the PRC?

What does the future hold for the PRC? The PRC has the low cost labor needed by Taiwan. The cost of labor in Taiwan is

rising. This has caused Taiwan to lose some of its competitiveness in labor intensive industries. So the PRC is the beneficiary as the rise in labor cost has caused a shift of certain low technology industries to the southern parts of mainland China. Estimates are that as much as \$3 billion worth of some low tech goods were produced by the PRC for Taiwan in 1991.<sup>18</sup>

This type of near-open market trading and manipulation of trade between the southern mainland and Taiwan will surely continue and will have profound effect on both Taiwan and the mainland. Of equally significant effect on the PRC/Taiwan relationship and the possibility of reunification will be the return of Hong Kong to the PRC in 1997.

The jury is still out among Northeast Asian experts as to the specific effects on the PRC and Hong Kong that the 1997 return will have. Dr. Parris Chang, for example, feels that it will be like throwing 6 million people to the wolves because capital is scarce and that Taiwan will see trouble in Hong Kong as proof that PRC can't cut it<sup>19</sup>. Dr. Donald Zagonia, on the other hand, suggests that it will not be the PRC taking over Hong Kong but will actually be Hong Kong taking over Southern China and that the PRC will let Hong Kong prosper as an example to Taiwan<sup>20</sup>. Dr. Ravdangiin Bold, another Northeast Asian expert suggests that the PRC will catch Taiwan<sup>21</sup> and Mr. Hoa Jia points out that the old leadership will die off and that recent elections have been more successful for dissidents<sup>22</sup>. This

leads to the conclusion that the PRC might accept the capitalist environment of Hong Kong and that it might spread. This could have profound effect on both the U.S. and Taiwan relationship with the PRC. Seemingly, we have a test bed for democracy and capitalism within the PRC starting in 1997.

U.S. policy makers must remember, however, that the PRC political system is hard to change and any changes will be slow moving and will invariably come about by cooperation within the Communist party. As Mr. Cao Siyuan, Director of the Stone Institute of Social Development, told a U.S. reporter when asked about his belief as a Marxist, "It's only by joining the Chinese Communist Party that one can work for political change in China [meaning, of course, the governing body and political philosophy of the PRC]." He went on to say, "The Communist Party is not going to lose its dominance any time soon. For now, it is the only party with the power to rule".<sup>23</sup>

So what do the trends and recent events say about the possibility of Taiwan's ability to influence the PRC toward democratization. Very little I contend.

The PRC shows a remarkable resiliency and willingness to accept inevitable changes--unless they think those changes will affect the security of the PRC. They react violently to security issues and will probably continue to do so for the foreseeable future.

An example of this seeming flexibility (and in this case, how it effects the U.S.) is the January 1992 agreement on



copyrights, trade secrets and patents. The U.S. had strongly contested the PRC's disregard for U.S. patents and copyrights. The PRC routinely copied U.S. technology and incorporated it into their products, some of which were exported to the U.S. U.S. companies noted a total annual loss of \$430 million annually to the violations. Loses were on everything from drugs and computer programs to clothing and movies.<sup>24</sup>

President Bush threatened to put a 100% tariff on Chinese exports if the PRC did not bring its protection of copyrights, patents and trade secrets up to international standards. Removal of "most favored nation" status would have been the appropriate tool for this if the PRC had not properly addressed U.S. concerns.

The PRC response--they promised to bring their protection up to international standards--is an example of its ability to respond if hard pressed at the international level. This is particularly so if it does not feel the issue threatens national security. The Tiananmen Square reaction represents the PRC response if it feels threatened.

The U.S. cannot sit back and expect the PRC to go the way of the USSR. Experts do not think that communist control of the PRC will fade as did the USSR's nor will their economy crumble. This is because the PRC's communism is an "...indigenous vice imposed as in Europe...".<sup>25</sup> Also, the PRC has "...Hong Kong and Taiwan support..."<sup>26</sup> to assist them if economic times get tougher. They even have a small data base (southern China) to understand

how to run a pseudo-capitalistic economy if that becomes necessary. The USSR lacked even the slightest "mental infrastructure" when time came for change.

#### For Taiwan?

The direction Taiwan will probably take is reflected in the December 21, 1991 election and clearly gives the "state of the nation" of Taiwan. Although the election had none of the violence that hindered some earlier "partially free" elections, there was some vote buying, especially out in the countryside according to many observers. The Koumintang outspent the opponents by a 5 to 1 margin, an average of \$2 million on each candidate.<sup>27</sup> So, although Taiwan has come a long way both economically and politically, there is still much to be done toward democratization.

President Lee Teng-hui is moving slowly toward complete reform. The election represented a victory for the native-born President who has steered his country away from the authoritarian style of previous presidents and toward democratic reform. There were other significant outcomes of the election as well: First, seeking independence from the mainland was a very unpopular subject; second, the Koumintang victory gave them the 3/4 majority needed to pass their agenda, one intended to leave the present legal and political structures in place while continuing slow reforms; and third, a strong signal that the people of Taiwan want to maintain a stable relationship with the PRC.

Neither independence nor talk of reunification was very popular and the votes reflected economic rather than political reality. Frankly, a stable relationship with the PRC is good for business.

So what does that say about the ability of Taiwan to affect the PRC? Again, I contend--very little. There are still numerous deep and lasting gulfs between the two nations that might hinder further overt warming of relationships. A brief explanation of a couple of relative minor examples might be appropriate here to give a sense of the variety and timeliness of some of these disputes.

Mr. Kenneth Conboy presented a paper at a 1991 National Defense University hosted Topical Symposium in Washington, D. C. The symposium, "From Globalism to Regionalism--New Perspectives On American Foreign And Defense Policies" was an excellent forum, for Mr. Conboy's notes on the dispute over the Paracels and the Spratly Archipelago. He remarks that "...with the oil crisis beginning in late 1973, the South Vietnamese government signed several oil contracts in the area south of the Paracels. The Chinese [meaning the PRC], as a result, showed renewed interest in the Paracels and dispatched a fishing fleet with navy escorts in January 1974. Saigon reinforced its garrison, and the Chinese responded with an 11-ship naval flotilla that sank one South Vietnamese ship and sent four limping home.

In the aftermath of the clash, South Vietnam protested, but was ill-equipped to reassert its control. North Vietnam, in the name of communist solidarity, supported the Chinese claim of

control. Taiwan protested the move by Beijing, claiming that it was the rightful owner of the Parcels. The U.S. maintained a completely neutral position."<sup>28</sup> Note the difference in Taiwan's and the U.S.'s response.

He goes further to address a very similar situation in the Spratly Archipelago. Seven nations claim partial or total control. These include mainland China, Taiwan, Malaysia, Brunei, the Philippines, and Vietnam.<sup>29</sup> Taiwan maintains a small garrison on Itu Aba Island<sup>30</sup> while mainland China occupies seven reefs and islands where they maintain small garrisons and artillery.<sup>31</sup> Again, Taiwan and the PRC claim the same territory. This is another example of both supporting the "China" position. Long lasting and seemingly unimportant disputes such as these will have to be addressed or they may become stumbling blocks to negotiation.

Taiwan is a powerful economic nation with a popularly elected government, a popular native-son as President, significant economic ties to the PRC and a six year plan to upgrade the infrastructure of the nation.<sup>32</sup> They have already extended a capitalistic tentacle into the southern part of the PRC--a tentacle that is growing and on which the PRC depends for part of its life blood. That tentacle has helped the southern region produce its own "economic miracle" which has given the region "...some independence..." so "...they more or less ignore Beijing...".<sup>33</sup>

This aspect of Taiwan's success can be explained in part by

the concept of "keh nan",--overcoming difficulties by one's own efforts<sup>34</sup>--something that might accurately be called "Yankee Ingenuity".

#### For the U.S.?

Some believe the U.S. is without a military enemy or serious threat as 1992 begins. The Soviet Union literally disintegrated in 1991. Left behind were a group of struggling young democracies, some in near civil war; confusion amidst economic chaos and no threat to the U.S. Though no strong military threat exists, there is, however a serious economic threat to U.S. security.

The U.S. has become a debtor nation and "...trade relations with countries on the western rim of the Pacific contributed significantly to this condition, especially Japan and to a much lesser extent the Republic of Korea".<sup>35</sup> According to Dr. John Hamre, the U.S. was the world's greatest creditor nation just eight years ago but is now the world's greatest debtor nation.<sup>36</sup>

I would add that the trade deficit with Hong Kong, Taiwan and the PRC contributed to the change. We have nearly balanced our trade deficit with Hong Kong from a high of almost \$7 billion in 1987 to \$2 billion in 1990 and near zero in 1991, but the deficit with Taiwan and the PRC remain as problems, however. Although down 22% from the \$4.1 billion it was in the first half of 1990, our deficit with Taiwan was still a whopping \$3.1

billion in the first half of 1991. This led to a total deficit of almost \$10 billion in 1991. Although down significantly from a 1987 high of \$18 billion, it is still a source of concern.<sup>37</sup> The same holds true for our deficit with the PRC. A 1990 deficit of \$10.4 billion<sup>38</sup> rose to \$12.3 billion for 1991.<sup>39</sup> These will continue to be sources of concern for U.S. strategists. These deficits and myriad economic conditions that brought them about represent the largest threat to U.S. national security. The PRC and Taiwan are significant players as demonstrated by recent declarations from the U.S. trade representative.

#### U.S. and the PRC

The U.S. relationship with the PRC, which cooled considerably under the frigid wind accompanying Tiananmen Square, has an opportunity to warm a bit. As indicated, the biggest threat to the U.S. national security from the PRC--as well as the greatest promise for more normalized relations--in 1992 is one of economics. For example, the PRC exported 80% of the toys sold by Toys are Us in 1990, a figure estimated at \$2 billion,<sup>40</sup> and are acting as a launderer for goods from Taiwan and Hong Kong. This causes the U.S. trade balance with Taiwan (-\$10 billion, 1991) and Hong Kong (near balance) to be artificially low and disguises the true nature of both Hong Kong's and Taipei's exports to the U.S. The PRC (-\$12.3 billion, 1991) also represents a large market for U.S. goods if and when further barriers fall and incomes rise.

The U.S. must control/stabilize this economic threat--and economic growth is the key. Exports are of paramount importance to the continued growth of the U.S. economy as they have been for the last several years. During 1990, export growth accounted for about 70% of GNP growth even though exports constitute only about 10% of GNP. Exports should remain an important force during 1992. Export growth in several key manufacturing industries was projected to be 8% in 1991 following a 12% growth in 1990. Those accounting for the largest export growth were aircraft and parts, computers, motor vehicle, electronic components, medicinals, plastic products and petrochemicals.<sup>41</sup> Emphasis by U.S. policymakers on these items can have significant long term impact on relations with the PRC and Taiwan.

U.S. response to the opening of doors in the PRC will either make the PRC a trading partner or an economic enemy. Possible democratization of the PRC is probably 25-30 years away if everything goes well and the PRC does not sense a threat to its national security. But, long before the democratization process finds governmental support, the U.S. will be in the market with the PRC--either as a dumping ground for PRC goods or as a viable trading partner who markets U.S. goods there. Wise application of U.S. marketing skills to introduce our strongest products into the PRC (and, of course, Taiwan) could have a positive effect on U.S. security and economy as well as a defrosting effect on the PRC. Table 1 lists the U.S.'s fastest growing four-digit industries<sup>42</sup> and provides a good laundry list from which to

choose some prime candidates for export emphasis to the PRC (and Taiwan). This will help reverse the significant trade imbalance we are experiencing with both.

**TABLE 1: 10 Fastest Growing Four-Digit Industries  
in 1991  
(based on constant dollar shipments)**

SIC Code	Industry	Percent Change
3111	Leather tanning and finishing.....	9.4
3674	Semiconductors and related devices.....	8.9
3841	Surgical and medical instruments.....	8.6
3842	Surgical appliances and supplies.....	7.6
2833	Medicinals and botanicals.....	7.1
2835	Diagnostic substances.....	6.9
2015	Poultry slaughtering and processing.....	6.8
2836	Biological products except diagnostics.....	6.2
3721	Aircraft.....	6.0
3843	Dental equipment and supplies.....	5.9

SOURCE: U.S. Industrial Outlook datafiles.

#### U.S. and Taiwan

Taiwan is one of the largest foreign owners in the U.S. and is 3rd only to Japan and the PRC in trade surplus with the U.S. in 1991 according to U.S. Department of Commerce figures.<sup>43</sup> There is a significant "brain drain" from U.S. industry as some of the very brightest and most gifted of those from Taiwan or with Taiwanese/mainland Chinese roots return to Taiwan. These persons have been educated in the U.S. and have worked in U.S. industry but find, when they reach the senior levels, that the "executive washroom" is closed to them.<sup>44</sup> They are taking their expertise home and helping Taiwan become an even stronger



competitor to U.S. industry. For example, the Hsinchu Industrial Park outside Taipei which specializes in high tech research and developments as well as production activities have several firms run by many Chinese-Americans<sup>45</sup> and I see this as a continuing trend. Again, the U.S. must control the trade balance with Taiwan as with the PRC.

#### U.S. NATIONAL SECURITY

Mr. Paul Wolfowitz, Under Secretary of Defense for Policy delivered a Presidential Report to Congress in April, 1990. In the report the President concluded that "...the U.S. deterrence and forward presence in East Asia have been successful, and that it remains in the interest of the United States to maintain forward deployed forces. At the same time "...[he] pledged to make measured, reasonable withdrawals to reflect the changing world environment. These adjustments have already begun, and in excess of 15,000 personnel will be withdrawn by December 1992".<sup>46</sup> The North Korean nuclear question which arose in late 1991 and continued into 1992 has caused a second look at the rate of reductions and the level to which the reductions will go.

It is apparent from Mr. Wolfowitz's reporting of the President's comments that the importance of the Asian area is not overlooked. It is important for the U.S. policy makers to understand the myriad aspects of the relationship between the PRC and Taiwan and to remain open to communication with both.

But, it seems obvious that the part Taiwan is playing, and

will continue to play, in the democratization of the PRC is small and subtle. Therefore, U.S. policymakers must not look to Taiwan to have any significant near-term influence on the political policies of the PRC. U.S. policymakers must deal with the PRC on a one-to-one basis.

We should strongly discourage any attempt by the PRC to unify China by force; while at the same time clearly understanding that there are some serious gulfs between the two countries that can only be worked out by the two of them over time. The U.S.'s best interest will be served by maintaining a relationship with both and doing nothing at this juncture that would place U.S. policy at odds with the goals of either.

Unfortunately, that might seem to say that the U.S. should do "nothing" and that is right to an extent. Premier Li Peng addressed the UN Security Council on January 31, 1992, for the first time since his army crushed the democratic movement and made it clear that no country could interfere in the PRC's human rights policies. He said, "It is neither appropriate nor workable to demand that all countries measure up to the human rights criteria...of one or a small number of countries".<sup>47</sup> His comments were surely addressed, at least partially, to the U.S. The U.S. as well as other Western nations have consistently asked the PRC to release hundreds of pro-democracy activists being held by the regime of Li Peng, but to no avail at this point. I don't see a reason to hope for a change in the near term.

This one issue gives a feel for the complexity of dealing

with the PRC and Taiwan and clearly shows the currency of the chosen topic of this research paper. News is being made daily relative to the U.S. relationship with the "two Chinas". The PRC and Taiwan are more alike than we are like either of them. The U.S. does not understand fully the roots from which these two nations sprang and must not approach either without some thought and caution.

#### ONE CHINA

There is truly only one China. It just happens to be governed as two separate sub-groups from two different geographic locations with two separate political and ideological systems in place. Neither "China" wishes to ignore the other nor suggest that the other is not truly Chinese. Neither government wishes to be, nor will admit to being, independent of the other.

When viewed in light of their long history, the problems of the last 43 years seem relatively unimportant to the overall relationship of the PRC Chinese to the Chinese on Taiwan. As far back as the 16th century, "...Jesuit missionaries brought back tales of the 'mysterious East'..."<sup>48</sup> and its marvelous political and social order. "Voltaire said that China 'subsisted in splendor' before the ancient Chaldeans' first efforts at social organization, when the Greeks were still illiterate savages."<sup>49</sup> So a short history of 43 years does not change the fact that there is but one China.

Both parts of this one China are presently content with the

status quo. That is--each accepts the other even with their warts. They are, as a popular country and western singer, Dolly Parton, sings in a recent hit, "...family, and you love them even when they do things you would kill others for..."

There are literally millions of contacts daily between the two in the form of letters, phone calls and trade contacts across the strait. They are like estranged siblings who realize they are more important to one another than either wants to admit. So, they continue to beat their chests but do little to disturb the status quo.

An understanding of this is of critical importance to U.S. policymakers who might try to push one or the other toward a "non-Chinese" decision, either economic or political. The U.S. must basically stay out of the affairs of both Taiwan and the PRC at this point unless either's actions directly effects the U.S. (i.e., patents, copyrights). The U.S. government must continue to act in its capacity as the most powerful and influential member of the UN and must not try to act unilaterally to affect significant change within either "China".

#### Threats From "One China"

Neither individual member of this "One China" poses an immediate military threat to U.S. national security, nor do I see a real military threat from the PRC member in the near future (10-15 years). We must keep an eye on the PRC, however because they are large, potentially belligerent and possess tremendous

military might. At a recent Topical Symposium hosted by National Defense University, M. Susan Pederson and Michael J. Cusack warned of the PRC's "fairly ambitious geopolitical goals" reflected in defense spending averaging 20% of all government spending in recent years<sup>50</sup>. Dr. A. James Gregor suggested at the same symposium that, "the diminution of the Russian threat...leaves the PRC a source of concern." To partially explain his reasons for the statement, Dr. Gregor highlights Beijing's reconfiguring the People's Liberation Army (PLA) from a defensive land war posture to one of rapid deployment and intensive response. He emphasizes that the force will be smaller, but will have modernized weapons systems and an officer corps trained in rapid response<sup>51</sup>. The PRC might, become a problem if unchecked and unwatched.

I see an immediate threat to U.S. security and/or security in the region only if the "status quo" is broken. If the government of Taiwan becomes more vocal about independence from the mainland or if the PRC perceives a new threat to its own security from the U.S. or Taiwan, military action can be anticipated.

If military action becomes necessary and the U.S. does not have enough warning time to apply subtle pressure through the UN, the whole question of balance of power in the region as well as its effect on U.S. national security would have to be revisited. That is not a real possibility at this time. So for now the PRC/Taiwan question has little or no influence on U.S. national

security. Top government/military planners must, however be aware of the potential and be prepared to intervene if significant U.S. interests are at stake.

The reality of "One China" might exacerbate the economic woes of the U.S. and its relationship to both members, however. The possibility of further cooperation between the two members could worsen the already horrible trade deficit between the U.S. and both. This, however can be turned to good if, as I proposed earlier in this paper, U.S. policy makers seize the opportunity and make the "One China" a trading partner rather than an enemy.

The relationship between the two members of "One China" bodes well economically for the region as a whole. Taiwan is already branching in all directions looking for cheap labor. Several Southeast Asian countries are getting a much needed infusion of Taiwanese capital (as well, of course, is the southern part of the PRC). As this economic interdependence grows, the region will tend to stabilize.

If the two countries continue to cooperate economically and allow this cooperation to overflow into the rest of the region, the political temperature will continue to warm and the U.S. will be a beneficiary as well.

While understanding the military and economic aspects of the "One China Card" and how they relate to U.S. and regional security, U.S. policy makers must continue to place primary focus on the region as economic "partner" vice "threat". Only by doing this can we play a positive role in the ongoing (and I suspect

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everlasting) China question while ensuring that U.S. national  
interests are protected.

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5. Ma, Dr. Ying-jeou, The Republic of China's Policy Toward the Chinese Mainland, p.1. Dr. Ma, Vice Chairman, Mainland Affairs Council, The Executive Yuan (Council) aptly referred to this period (he used 1949-1978, however) as the "Military Confrontation Phase" in an October 9, 1991, address to the National Day Press Conference in Taipei.  
That is worthy of note only because it helps define the thought and character of the people of Taiwan. Dr. Ma defines as military confrontation a period I choose to define as a change in relationships.
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7. Chiang Kai-Shek, A Pictorial Biography of the President of the Republic of China, China Publishing Company, Taipei, Taiwan, 1957, p.2.
8. Ibid., p. 3.
9. Hoffman, Jeff, "Ruling Party Wins Big In Taiwanese Election", The Washington Post, December 22, 1991, p. A37.
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12. Chiang Kai-Shek, p. 52.
13. Shen, James C. H., The U.S. and Free China (How the U.S. Sold out Its Ally), Acropolis Books Ltd., Washington, D. C., 1983, p. 7.
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20. Zagonia, Dr. Donald, comments during the Northeast Asian plenary panel, "...Globalism to Regionalism..." topical symposium, 1991.
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22. Jia, Hao, comments during the Northeast Asian plenary panel, "...Globalism to Regionalism..." topical symposium, 1991.
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26. Ibid.
27. The Washington Post, Sunday, December 22, 1992.
28. Conboy, Kenneth, Conflict Potential In Southeast Asia And The South China Sea, pp. 14-15.
29. Ibid., p. 16.
30. Ibid., p. 15.
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